

## NEW APPLICATION

## BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

LEA MÁRQUEZ PETERSON - Chairwoman  
SANDRA D. KENNEDY  
JUSTIN OLSON  
ANNA TOVAR  
JIM O'CONNOR

In the matter of:

TREYTRADES LLC, an Arizona limited liability company,

TREYTRADES LLC, a Florida limited liability company, and

RICHARD K. HAINSWORTH III, an unmarried man,

Respondents.

DOCKET NO. S-21169A-21-0380

**NOTICE OF OPPORTUNITY FOR  
HEARING REGARDING PROPOSED  
ORDER TO CEASE AND DESIST, ORDER  
FOR RESTITUTION, ORDER FOR  
ADMINISTRATIVE PENALTIES, AND  
ORDER FOR OTHER AFFIRMATIVE  
ACTION**

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING  
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents TreyTrades LLC (Arizona), TreyTrades LLC (Florida), and Richard K. Hainsworth III ("Hainsworth") have engaged in acts, practices and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

The Division also alleges that Hainsworth is a person controlling the entity respondents within the meaning of A.R.S. § 44-1999(B), and is jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as the entities for their violations of the antifraud provisions of the Securities Act.

**I.****JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

**II.****RESPONDENTS**

2. TreyTrades LLC ("TreyTrades AZ") is an Arizona limited liability company organized on January 11, 2020. Since its organization, TreyTrades AZ has been a manger-managed company with Hainsworth as its manager; he is also its statutory agent, organizer, and the signer of its articles of organization.

3. TreyTrades LLC ("TreyTrades FL") is a Florida limited liability company organized on July 20, 2020. Hainsworth is the sole person listed as an officer/director in TreyTrades FL's filings. In TreyTrade FL's articles of organization, Hainsworth is authorized to manage the entity.

4. TreyTrades AZ and TreyTrades FL are essentially Hainsworth's alter-egos. Every action taken by the entities described in this Notice was taken by Hainsworth. On information and belief, Hainsworth is either the sole or principal employee of these entity Respondents.

5. On information and belief, Hainsworth has been an unmarried man and a resident of Arizona from late 2019 through June 2020, and a resident of Arizona or Florida since at approximately July 2020.

6. Hainsworth frequently uses the name "Trey."

7. TreyTrades AZ, TreyTrades FL, and Hainsworth may be referred to collectively as "Respondents."

8. Respondents have not been registered by the Commission as securities salesmen or dealers, and the securities described in this Notice have not been registered with the Commission.

**III.****FACTS**

9. From March 2020 through March 2021, Respondents offered and sold at least \$96,425 of investments within and from Arizona to at least 21 persons on the promise of incredible returns—25% per month in most cases—by trading stocks, foreign currency, and cryptocurrency. In fact, Respondents had no deposits in their known bank accounts representing profits from trading or

1 significant withdrawals going to trading platforms. Respondents paid no returns to any investors.  
2 And only six investors received a refund of their principal totaling approximately \$27,000; the  
3 remaining investors received no returns and no refund of their principal.

4 10. Investors and offerees learned about Respondents' purported trading business  
5 primarily through Respondents' social media posts and referrals from mutual acquaintances.

6 11. Respondents actively sought referrals from acquaintances, existing investors, and  
7 offerees, promising several persons a 10% commission for bringing in such referrals.

8 12. Investors and offerees corresponded with Respondents through messaging apps, texts,  
9 and conference calls arranged by mutual acquaintances; during this correspondence, Respondents  
10 solicited investors and offerees to invest.

11 13. Respondents described their business in a text message that they sent to several  
12 offerees and investors. Respondents claimed to "manage and trade funds for clients as opposed to  
13 having the clients do it themselves." Respondents purported to use a strategy of "margin [trading]  
14 crypto currency [leveraging] the US dollar."

15 14. In the May and October 2020 versions of the text, Respondents claimed that their  
16 "ROI is averaging 92.3% last month." In the September version of the text, Respondents claimed  
17 that their "ROI is averaging 91.4% last month." In all three months, Respondents claimed to have 36  
18 clients with accounts between \$5,000 and \$200,000 in value and to have generated "A little over  
19 \$1,300,000 profit."

20 15. Respondents made several other representations to offerees and investors to induce  
21 them to invest with Respondents. These include:

22 a) Claiming that Respondents were working with a licensed broker in Florida  
23 who was managing Respondents' trading activities;

24 b) Telling an Arizona investor that they could ensure she would not lose money  
25 because of their five years of trading experience and "90% trade accuracy rate" in the previous three  
26 months;

c) Sending graphs and generic account statements to at least two offerees/investors that purportedly showed gains in trading client accounts; and

d) Posting on social media that Hainsworth was making a lot of money in bitcoin investments.

16. Respondents provided several investors with a contract in which Respondents stated that the investors' funds were "to be used solely for investment within the TreyTrades program on the Foreign Exchange Market." The contract guaranteed a minimum return of 25% per month. Investors could withdraw profits after 30 days. Richard Hainsworth was to send weekly updates on market performance, account balance and positions, and risk assessment. Respondents were to charge a "Commission/management fee" of 10% on all profits and pay these profits to Hainsworth for his services.

17. In at least six of Respondents' contracts with investors, Respondents agreed to pool their funds with the investor funds and add an "investment bonus" to the initial investment; these bonuses ranged from 35 to 100% of the initial investment.

18. Respondents reported to four Arizona investors that their investment accounts had appreciated, in three instances saying that they had appreciated over 100% after only a few weeks of management by Respondents. However, when these Arizona investors attempted to withdraw money from their accounts, Respondents repeatedly failed to return the money, citing a variety of excuses. Respondents eventually mailed checks to three of these Arizona investors, but the checks bounced. None of these four Arizona investors have received returns or been repaid their principal.

19. At no point did Respondents disclose any risks to the investors or offerees related to the investment.

20. Respondents' earlier investors, including two persons who invested in March and June 2020, did not receive any payment of returns of their investments. One of them was repaid 33% of her principal after she requested payment and Hainsworth delayed payment for weeks while making various excuses. She then threatened to sue Hainsworth and he sent her a portion of her

1 principal in response. The other investor received a full repayment of his principal. But again, this  
2 payment occurred after the investor requested payment from Hainsworth and Hainsworth delayed  
3 payment and gave the investor several excuses for the non-payment. The investor eventually  
4 contacted Hainsworth's bank and requested that it put a hold on Hainsworth's account; after that,  
5 Hainsworth returned the principal. Respondents did not disclose to later investors—many of whom  
6 invested in September and October 2020—that these previous investors did not receive any returns  
7 on their investment, that they only received some principal after Hainsworth delayed payment, and  
8 that they only received that principal after making threats.

9       21. At no point did Respondents provide investors with any evidence of them managing  
10 36 client accounts ranging from \$5,000 to \$200,000 and generating \$1,300,000 in profits in a single  
11 month, much less in three different months. In fact, Respondents had no client investors larger than  
12 \$17,000, and had several investors who invested only \$1,000 or less, with at least two investors who  
13 invested only \$200. Moreover, Respondents had no deposits in their known bank accounts  
14 representing profits from trading or significant withdrawals going to trading platforms. Additionally,  
15 Respondents have not paid any returns to any investors and in most instances have failed to repay  
16 most investors' principal.

#### 17 IV.

#### 18 VIOLATION OF A.R.S. § 44-1841

#### 19 (Offer or Sale of Unregistered Securities)

20       22. From on or about March 2020, Respondents offered or sold securities in the form of  
21 investment contracts within or from Arizona.

22       23. The securities referred to above were not registered pursuant to Articles 6 or 7 of the  
23 Securities Act.

24       24. This conduct violates A.R.S. § 44-1841.

#### 25 V.

#### 26 VIOLATION OF A.R.S. § 44-1842



**(Transactions by Unregistered Dealers or Salesmen)**

25. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

26. This conduct violates A.R.S. § 44-1842.

**VI.**

**VIOLATION OF A.R.S. § 44-1991**

**(Fraud in Connection with the Offer or Sale of Securities)**

27. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) Guaranteeing a return on investments without disclosing any risks associated with investing in stocks, foreign currency or cryptocurrency;

b) Guaranteeing a return on investments then failing to pay returns to any investors and, except for \$27,000 paid to a handful of investors, failing to repay principal to most investors;

c) Failing to disclose to later investors that prior investors had not received their promised return or a repayment of principal;

d) Claiming to have generated profits of \$1,300,000 in at least three months, but having no deposits showing profits in their accounts in those three months or any other months and paying no returns to any investors; and

e) Claiming to have 36 client accounts ranging from \$5,000 to \$200,000 when in fact Respondents had several investors who invested \$1,000 or less and no investor who contributed more than \$17,000.

28. This conduct violates A.R.S. § 44-1991.

**VII.**

**CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999**

29. From at least January 11, 2020 through at least November 2021, Respondent Hainsworth directly or indirectly controlled TreyTrades AZ within the meaning of A.R.S. § 44-1999. Therefore, Hainsworth is jointly and severally liable to the same extent as this entity for its violations of A.R.S. § 44-1991.

30. From at least July 20, 2020 through at least November 2021, Respondent Hainsworth directly or indirectly controlled TreyTrades FL within the meaning of A.R.S. § 44-1999. Therefore, Hainsworth is jointly and severally liable to the same extent as this entity for its violations of A.R.S. § 44-1991.

**VIII.**

**REQUESTED RELIEF**

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act pursuant to A.R.S. §§ 44-2032;
2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. §§ 44-2032;
3. Order Respondents to pay the state of Arizona administrative penalties of up to \$5,000 for each violation of the Securities Act pursuant to A.R.S. § 44-2032; and
4. Order any other relief that the Commission deems appropriate.

**IX.**

**HEARING OPPORTUNITY**

Each respondent may request a hearing pursuant to A.R.S. §§ 44-1972 and A.A.C. R14-4-306. If a respondent requests a hearing, the requesting respondent must also answer this Notice. A

1 request for hearing must be in writing and received by the Commission within 10 business days after  
2 service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the  
3 request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona  
4 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the  
5 Commission's website at <http://www.azcc.gov/hearing>.

6 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20  
7 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or  
8 ordered by the Commission. If a request for a hearing is not timely made the Commission may, without  
9 a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for  
10 Hearing.

11 Persons with a disability may request a reasonable accommodation such as a sign language  
12 interpreter, as well as request this document in an alternative format, by contacting Carolyn D. Buck,  
13 ADA Coordinator, voice phone number (602) 542-3931, e-mail [cdbuck@azcc.gov](mailto:cdbuck@azcc.gov). Requests should  
14 be made as early as possible to allow time to arrange the accommodation. Additional information  
15 about the administrative action procedure may be found at  
16 <http://www.azcc.gov/securities/enforcement/procedure>.

## 17 X.

### 18 ANSWER REQUIREMENT

19 Pursuant to A.A.C. R14-4-305, if a respondent requests a hearing, the requesting respondent  
20 must deliver or mail an answer to this Notice of Opportunity for Hearing to Docket Control, Arizona  
21 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days  
22 after the date of service of this Notice. Filing instructions may be obtained from Docket Control by  
23 calling (602) 542-3477 or on the Commission's website at <http://www.azcc.gov/hearing>.

24 Additionally, the answering respondent must serve the answer upon the Division. Pursuant to  
25 A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy  
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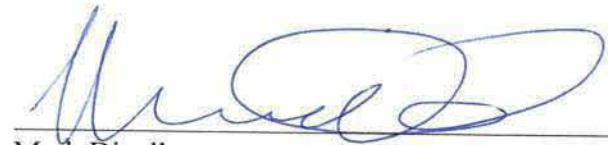
1 of the answer to the Division at 1300 West Washington St., 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007,  
2 addressed to Ryan Millecam.

3 The answer shall contain an admission or denial of each allegation in this Notice and the  
4 original signature of the answering respondent or respondent's attorney. A statement of a lack of  
5 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not  
6 denied shall be considered admitted.

7 When the answering respondent intends in good faith to deny only a part or a qualification of  
8 an allegation, the respondent shall specify that part or qualification of the allegation and shall admit  
9 the remainder. A respondent waives any affirmative defense not raised in the answer.

10 The officer presiding over the hearing may grant relief from the requirement to file an answer  
11 for good cause shown.

12 Dated this 30<sup>th</sup> day of November 2021.

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15 Mark Dinell  
16 Director of Securities  
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